

REPORT ON INVESTIGATIONS

BY

ARMED SERVICES COMMITTEE

EIGHTY-SECOND CONGRESS

REPORT

OF THE

COMMITTEE ON ARMED SERVICES

Pursuant to House Resolutions

38, 114, and 557



SUBMITTED BY MR. VINSON, CHAIRMAN

JULY 5, 1952.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington 25, D. C., July 4, 1952.

The honorable the SPEAKER,
House of Representatives, Washington, D. C.

MY DEAR MR. SPEAKER: I have the honor to present a report and résumé of the work performed under House Resolution 38 and House Resolutions 114 and 557, appropriating moneys therefor.

Respectfully,

CARL VINSON, *Chairman.*

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HOUSE OF REPRESENTATIVES
COMMITTEE ON ARMED SERVICES
WASHINGTON 25, D. C., July 4, 1952.

The honorable the SPEAKER,
House of Representatives, Washington, D. C.
My Dear Mr. Speaker: I have the honor to present a report and
 résumé of the work performed under House Resolution 82 and House
 Resolutions 114 and 357, appropriating money therefor.
Respectfully,
C. A. V. K. S. (Chairman)

Union Calendar No. 786

82D CONGRESS
2d Session

} HOUSE OF REPRESENTATIVES }

REPORT
No. 2489

REPORT ON INVESTIGATIONS BY ARMED SERVICES COMMITTEE

JULY 5, 1952.—Ordered to be printed

Mr. VINSON, from the Committee on Armed Services, submitted the following

REPORT

[Pursuant to H. Res. 38, H. Res. 114, and H. Res. 55]

REPORT ON HOUSE RESOLUTION 38

On February 2, 1951, the House passed House Resolution 38 authorizing and directing this committee to conduct studies and investigations relating to matters within the jurisdiction of the committee, and it authorized the use of subpoenas when required.

The resolution directed a report to the House, during the present session, of the studies and investigations made, together with any recommendations for legislation. A number of reports on specific subjects have been issued. A new and important law has been placed on the statute books (Public Law 436) setting up a cataloging and standardization agency for the Military Establishment. This law carries out a congressional mandate of many years standing that the Military Establishment should have a single identification number, a single item description, and a single catalog for use in its supplies systems.

The opinions expressed on the subject of a single catalog for the Military Establishment all estimate the savings in multi-million-dollar figures. The services themselves admit that the savings will range from substantial to astronomical. The Hoover Commission, considering a budget half the size of the present budget, estimated a saving of \$2½ billion. There is testimony in the record that this act, properly implemented, will result in net savings in excess of \$4 billion.

It is one of the most significant contributions and has the most far-reaching consequences of any single piece of legislation that has been enacted within the jurisdiction of this committee, during the present Congress.

In exercising the authority conferred in House Resolution 38, emphasis has been placed on a constructive approach to problems presented. The work has been carried on with a view to being helpful to the Military Establishment in carrying out its many public duties. On several occasions it has been stated that the program of work under this resolution was wholly objective; and was "preventative rather than punitive in purpose." We have concerned ourselves only with policies and problems, not with personalities. We believe that many of the results have been extremely fruitful and helpful to the Military Establishment and profitable for the public.

During the Eighty-second Congress, this function of the Armed Services Committee and the subcommittees formed for carrying out these investigations and studies was utilized with confidence by the membership of the Congress. Many Members have resorted to us. Many inquiries, complaints, and suggestions from the membership have been handled directly with the individual Members. Many more have resulted in reports which have been published where it was felt that the information contained in these reports and the conclusions of the committee could be profitably circulated for future guidance.

SUBCOMMITTEE WORK

Luxury apartment rentals in Washington, D. C.

A subcommittee consisting of Mr. Clemente as chairman and Mr. Bates was appointed to study a proposal of the Defense Department to lease two luxury apartments in the District of Columbia. A thorough study by the subcommittee concluded two points: (1) That the need for the acquisition of this type of space was not developed and that the functions could adequately be accomplished by adjustments within the Military Establishment; (2) that the acquisition of this type of space was expensive and neither efficient nor economical.

The total annual savings in the rentals of these two apartments which the Defense Department proposed to acquire amounted to \$720,000 annually, to say nothing of the obligation which would have been incurred to restore the property for civilian use upon the expiration of tenture, which is usually estimated at from \$3 to \$5 per square foot of usable space. In this case, that would run between \$750,000 and \$1,000,000.

Additionally, the committee recommended that a lease which was authorized for the Civil Defense Agency, which did not have any space within the District of Columbia, be submitted to a condemnation jury. The subcommittee felt that the figures agreed upon by the General Services Administration and the owner did not represent the true rental value of the property. After a trial in the District of Columbia, the rental was reduced annually \$57,300.

Another real result has been that there has been no further attempt to solve the problem of housing by resort to this type of property.

Waste at Sampson Air Force Base

In March and April of 1951 the country was shocked with news of extravagance and waste in the rehabilitation of Sampson Air Force Base at Geneva, N. Y. A subcommittee was appointed, consisting of Mr. Clemente, of New York, as chairman and Mr. Van Zandt, of Pennsylvania. An extensive study of the contracting involved was

made. While the subcommittee found that there had been large and excessive payments made to workmen, these payments were the result of extra time for labor employed by reason of improper planning and scheduling of the work, as well as the use of the wrong type of contract. It was found that the Air Force was wholly responsible for the extravagance which it set in motion by permitting recruits to be accumulated with no advance provision for housing them. It was found that this contract originally could have been performed for something like \$2,600,000 on a realistic time schedule but that the costs ran nearly twice that because the work was compressed within a 30-day period.

It made several other suggestions concerning the administration of the New York, engineer office, particularly in reference to the type of contracts to be employed in matters of this character, the responsibility to be assumed by a district engineer, and, finally, improvement in the listing and selection of contractors chosen to perform work of this character. All have been adopted.

INVESTIGATIONS OF CAMPS, POSTS, AND STATIONS, CHANUTE AIR FORCE BASE, RANTOUL, ILL.; CAMP GORDON, AUGUSTA, GA.; FORT JACKSON, S. C.; FORT LEONARD WOOD, MO.

Chanute Air Force Base

A special subcommittee under the chairmanship of Hon. L. Gary Clemente (Democrat, New York) investigated complaints filed with respect to conditions at this base tending to lower the morale of the troops and of certain unorthodox practices concerning the selection of contractors to be located on the base.

Hearings held by the special subcommittee at the Air Force base revealed that there was a lack of recreational facilities on the base which caused some dissension among the airmen. Because of this condition, in the past it had been found profitable for the VFW to bring carnivals to the town of Rantoul for money-raising purposes. The commanding general of Chanute in a desire to see that no harm came to any of the young airmen stationed on the base (18 years old), suggested that the men use discretion in frequenting the carnival. As a result of his suggestion, a misunderstanding arose, and it was reported that he had ordered the show "off limits."

Without the patronage of the men from the base, the revenues dropped. This loss caused the local chapter of the VFW to publicly denounce the attitude of the commanding general. As a result of the denunciations, the State of Illinois Department of the VFW adopted a resolution and mailed copies of it to the United States Senators from Illinois and to each Member of Congress from that State, calling upon them to

take immediate steps toward initiating an official investigation of Chanute Field toward the end that the morale of the personnel there be restored to the high plane desired of our Military Establishment in time of national emergency.

Another matter on which testimony was heard related to the practice of installing business firms in the concessions on the base without soliciting bids to determine the highest most-qualified responsible bidder.

Still another matter receiving the attention of the subcommittee dealt with the programs adopted by the officers' club and the NCO club in obtaining members. The subcommittee was advised that an

officer could not resign from these clubs without submitting a resignation through channels and having it approved by the commanding general of the base. Similarly, the NCO's had to follow a like militaristic procedure.

Conclusions.—The subcommittee recommended that in the future conduct of business on the base the post exchange officer solicit bids from all qualified responsible suppliers before awarding contracts for conducting concessions on this base.

The subcommittee also recommended that additional recreational facilities be made available in view of the large number of men scheduled to receive training at this base. The subcommittee suggested that the officers' club and the NCO club should adopt a program designed to attract members rather than depend upon an embarrassing militaristic procedure respecting resignations to maintain membership in the associations. The subcommittee also recommended that greater vigilance be exercised by the wing inspector general because it was felt that many of the conditions found by the subcommittee could have been discovered and corrected by the Air Force.

Camp Gordon

A special subcommittee under the chairmanship of Hon. Arthur Winstead (Democrat, Mississippi) investigated the conditions at Camp Gordon, Augusta, Ga. The inquiry covered the recreational facilities, the housing conditions (on the post as well as those in the surrounding areas), food, clothing, hospital facilities, training, and troop morale.

The subcommittee recommended that the camp be painted immediately and that recreational facilities be expanded in order to maintain the high morale of the troops. The subcommittee also recommended that the hospital facilities at Camp Gordon be integrated with those facilities on Fort Jackson in order to relieve any shortages in the Third Army area.

Fort Jackson

A special subcommittee under the chairmanship of Hon. Arthur Winstead (Democrat, Mississippi) conducted an inspection of Fort Jackson and examined into the housing facilities, the recreational facilities, food, clothing, training, and troop morale, in addition to medical supplies in the hospital.

The subcommittee found that the Quartermaster General should be required to immediately take steps to relieve the shortages in clothing and equipment. Furthermore, the subcommittee suggested that the Veterans' Bureau be moved from the hospital area in order that the hospital facilities could be expanded to take care of the increase in the number of patients. Further action to relieve the shortage of hospital beds should be taken by utilizing the spaces available at Camp Gordon, Augusta, Ga.

Fort Leonard Wood

A special subcommittee under the chairmanship of Mr. Clemente, of New York, and Mr. Bates, of Massachusetts, proceeded to Fort Leonard Wood, Mo., and held hearings on reports concerning deplorable housing conditions in the immediate vicinity of the post in which the families of the officers and men were required to live. Fort Leonard Wood is not a permanent installation and therefore

Wherry housing units could not be constructed on the post to alleviate the critical housing shortage.

As a result of the great shortage of housing in the area local citizens took steps to convert every structure into furnished living quarters. Tourist cabins without toilet facilities, garages with a minimum of water and heat, schoolhouses, barns, and ice-cream parlors were converted into housing quarters for the soldiers and their wives. One officer testified that he and his family rented one large room and one small room and shared a bath with another couple in the house, paying \$70 a month. He stated, "We cook on a hot plate and have no refrigeration." A sergeant testified that he and his wife rented two single-room tourist cabins for \$60 a month with well water available. The unconscionable rent gouging in the area surrounding Fort Leonard Wood brought into sharp focus the inadequacies of the old rent law. A survey of the housing units occupied by military personnel in that area showed that more than 40 percent of the units were exempt from controls.

On the brighter side of the picture, the subcommittee found that the local rent office had brought relief to many of the gouged tenants who were fortunate enough to live in units which were controlled. In 88 cases alone rents were reduced an average of 40 percent.

The subcommittee worked closely with the Office of Rent Stabilization and other housing authorities who were responsible for obtaining relief for the servicemen and their families. Later Congress enacted Public Law 96 of the Eighty-second Congress, which made provision for establishing rent ceilings on any housing accommodations whether ever controlled or decontrolled. This means that all of the motor and trailer courts, converted homes, hotels, and other housing accommodations previously exempted were brought under control of the Office of Rent Stabilization. Additional relief was made possible under Public Law 139 of the Eighty-second Congress, which authorized the President to suspend credit restrictions with respect to certain types of housing units being constructed in critical areas by private enterprise.

INVESTIGATION OF AIR FORCE PLANE CRASH AT MORNINGSID, MD.

The subcommittee under the chairmanship of Hon. Lansdale G. Sasser conducted open hearings on April 18, 1951, to inquire into all of the phases and circumstances surrounding the crash of the B-25 airplane at Morningside, Md., on Sunday, April 8, 1951, which caused the immediate death of three persons and seriously injured several others. The purpose of this investigation was not to try anyone, but to ascertain the causes and prevent as far as possible similar occurrences at Andrews Air Force Base and other bases located in thickly populated areas.

The evidence developed the inescapable conclusion that the crash at Morningside, Md., could have been prevented. The aircraft was not in such a state of emergency that the pilot had to abandon it over Andrews Field. He should have flown the plane out of the thickly settled area before bailing out. However, responsibility for the tragedy was not confined to the pilot. Testimony indicated that all echelons of the command must be accountable for the crash.

The maintenance and supply group permitted this aircraft to be flown continuously and regularly in spite of its long history of hydraulic trouble. The operations officers who were in constant touch with this aircraft by radio during the 4½ hours it was in the air at no time directed the pilot to take the plane out of this area before abandoning it. Furthermore, responsibility rested upon the headquarters command for the issuance of proper regulations directing the flight of aircraft under emergency conditions.

United States Air Force regulations which permit the pilot to abandon his aircraft with the motors delivering power on his own judgment exclusively should be modified. He should be permitted to take action which will prevent his death or serious injury, but he must not be permitted by unrestricted personal decision to allow his unmanaged plane to go roaring into communities of helpless citizens.

There is an obvious deficiency in United States Air Force pilot training. At least eight officers, all of them pilots, spent over 4½ hours in flying or in directing the flight of this disabled aircraft over Washington, D. C. Not one made the suggestion that the plane be flown to the Chesapeake Bay, the Atlantic Ocean, or even to an isolated spot in this area before being abandoned. Training in emergency procedures would have prepared these men in precisely what procedure to follow to insure that there would be no loss of life when the plane crashed.

United States Air Force regulations were issued which are designed to eliminate insofar as possible a recurrence of this tragedy. The new order provides that any pilot flying in the area of Washington, D. C., in a state of emergency which will necessitate his abandoning his plane, will—

proceed toward the Atlantic Ocean area and abandon [his] aircraft at such an altitude and attitude as to preclude its return to a populated area.

Since the issuance of the committee report extreme care has been taken by all Air Force pilots in this area in practicing maneuvers which could result in a crash in a highly populated area.

SPECIAL SUBCOMMITTEE ON PROCUREMENT

APRIL 20, 1951.

Re: Subcommittee on Procurement of the Armed Services Committee.

I have this day appointed a subcommittee consisting of the following members:

F. EDWARD HÉBERT, Louisiana, *Chairman*

O. C. FISHER, Texas

EDWARD DEGRAFFENRIED, Alabama

L. GARY CLEMENTE, New York

WILLIAM J. GREEN, Jr., Pennsylvania

CLYDE DOYLE, California

CHARLES H. ELSTON, Ohio

JACK Z. ANDERSON, California

HARRY L. TOWE, New Jersey

WILLIAM E. HESS, Ohio

W. STERLING COLE, New York

John J. Courtney, special counsel to the committee.

Richard W. Webb, assistant special counsel to the committee.

Later Paul Cunningham, of Iowa, was appointed vice Harry L. Towe, of New Jersey, resigned; and James Patterson, of Connecticut, was appointed as an additional member.

The subcommittee's agenda was as follows:

The jurisdiction of this subcommittee will extend to all matters relating to procurement by the three services—Army, Navy, and Air Force—except that relating to real-estate procurement.

The subcommittee is directed to make a full and exhaustive study and investigation in accordance with House Resolution 38 of all contracts for matériel or construction whether bid or negotiated, the procurement policies of the several services, the coordination between services on procurement, the rate of progress and performance of contracts, the qualifications of contracting officers, and all other matters in any way relating to the procurement program of the defense Department.

CARL VINSON, *Chairman.*

To this subcommittee was referred all matters relating to Defense Department contracts and procurement practices for scrutiny and supervision; and likewise complaints and inquiries relating to these subjects were referred.

This subcommittee considered procurement practices, types of contracts, values and costs involved, irregularities, discrimination, delinquencies, and defaults. This work has been and still is a continuing study.

The Elvair Corp. investigation

This investigation revealed an unbelievable web of intrigue and ineptitude on the part of Government representatives. The conclusions and recommendations are as follows:

Conclusions.—The story unfolded in testimony, documents, and investigation of this company is fantastic. It places a severe strain on the patience and the credulity of the committee. It reveals a serious defect in our procurement system, a lack of interest and failure of duty on the part of procurement officers to rise to the full obligation of their offices and assignments in the interest of the United States. It shows how these promoters and the banker allies, who were more interested in a "lead-pipe cinch" profit than anything else, can cause the established manufacturers of the country to be passed over, notwithstanding the assurances of the procurement officers that all that has to be done is for them to "keep in communication with the nearest ordnance district."

Recommendations.—The committee recommends a thorough overhauling of the procurement investigating staffs so that alert, capable, and interested personnel qualified in their duties are placed in charge; and that inquiries be answered fully and completely, including the passing along of helpful information to other inquiring district offices. Too much responsibility is vested, in preparation and circulation of notices of Government needs, on persons having limited capacity and knowledge in the field of procurement, with the result that promoters of the type managing Elvair can gain a foothold.

The committee recommends that all ordnance and procurement districts be required to consult and notify all prospective suppliers listed with them and other districts for quotations, in advance of any negotiated bid. Only in this way can the full potential of the industry and manufacturing experience of this country be availed of.

The committee recommends that, since none of these contracts have been performed (except a limited portion of one of them), that appropriate steps be taken to terminate or cancel them, whichever is to the greater advantage of the Government.

The committee recommends that the investigation proceed into all of the operations of the procurement organizations.

The effect of this exposé was most salutary. But more was needed to prod the Department of Defense on the responsibility of inspectors in preaward surveys, among other things.

Consolidated Industries, Inc.

Extensive hearings were held on the procurement procedures being followed by the three departments relating to the preliminary steps taken by the procurement officers before awarding a contract.

One specific case, that of the Consolidated Industries, Inc., was reported on as a sample of the subcommittee's experiences and conclusions. It was found that three contracts had been awarded to this firm totaling \$418,000 for the manufacture of steel folding chairs. Because of a lack of facilities and a lack of know-how, the three contracts awarded by the Quartermaster Corps of the Department of the Army were in default and the Government was not receiving the items that it had contracted for.

Upon an investigation of the type of preaward inspection made of this contractor's plant, it was found that the inspectors were hopelessly hoodwinked into thinking that the Consolidated Industries, Inc., could perform the work required by the contracts. A lack of competent personnel in the inspection service was found to be responsible for these conditions. Furthermore, it was found that the absence of specific instructions by the Department of the Army to the personnel conducting the preaward surveys resulted in the failure by the inspectors to look into all phases of the contractor's operations. Because the specific questions were not in the instructions, the inspectors overlooked many of the pertinent facts relating to this contractor's capabilities.

The subcommittee's conclusions and recommendations are as follows:

1. The subcommittee recommends that the services take immediate steps to improve and correct procurement regulations to assure competent preaward inspections; and that immediate steps be taken to educate inspectors upon the need of a full and adequate inquiry when making their examinations. Forms and regulations which leave them hide-bound, if in fact that is the case, should be scrapped in favor of a realistic and competent approach.

2. The subcommittee will continue its study and investigation into the need for performance bonds, if necessary recommending legislation, should our further inquiries prove the desirability of them. But unless the preaward inspections can be improved, that step may become necessary.

As a result of these two cases, Elvair and Consolidated, many districts established training courses for inspectors and more adequate regulations for reporting were devised and are now in use.

De luxe typist chairs, investigation of proposed Air Force purchase of

The Procurement Subcommittee investigated a referral by the Honorable Frazier Reams (Democrat, Ohio) concerning a proposal by the United States Air Force, Wright Field, Dayton, Ohio, to buy 20,156 typist chairs. It was suggested that over \$200,000 could be saved if the Air Force would accept the standard tubular chair of the type purchased by the General Services Administration instead of requiring a de luxe executive-type typist chair.

The investigations conducted by the subcommittee revealed that all purchases made for the Government offices in Washington were accomplished by the General Services Administration; that that agency purchased a standard steel tubular chair for general use; and

that during the past year it had purchased only 130 of the super de luxe type of chair of which the Air Force had proposed to purchase 20,156.

The subcommittee recommended that the Air Force cancel the advertisement for the de luxe office chairs. It further recommended that Air Force personnel be employed in testing aircraft for the defense of the United States and to leave the testing of typist chairs to the General Services Administration, which is the agency of the Government for that purpose.

The Air Force canceled the proposed procurement, thus saving more than \$200,000. It is understood that steps are being taken by the Air Force to discontinue all activities with respect to the purchase of furniture and the testing of chairs.

Paint purchases by Navy Department, investigation of

The subcommittee received complaints that the Navy Department had placed an order for 6,500,000 gallons of paint in January of 1951; that the invitation to supply this paint was issued to only 60 suppliers of the 1,291 in the United States; that the paint industry of the United States could not possibly deliver the total requirements in accordance with the short delivery schedules contained in the invitation; and that small business was ignored in this procurement.

An extensive investigation conducted by the Procurement Subcommittee revealed that the Department of the Navy was purchasing paint for the Army as well as for the Navy under a single department purchase assignment. The committee was advised that during the period from July 1, 1950, through June 30, 1951, the Navy had entered into contracts totaling \$62,800,000 for paint of all kinds, and that the Navy Department as purchasing agent for the Department of Defense had obtained the assurance of the National Paint, Varnish, and Lacquer Association that the industry could handle the Government orders without a drain on the existing supplies, but that in certain cases a revision in the delivery dates should be changed. Furthermore, the Navy Department advised that small business had received more than twice as many contracts as were awarded to big business. The Navy Department, it was found, was making every effort to receive quotations from as many contractors as was possible in procuring this item. The subcommittee was satisfied that the Navy Department was doing all that it could to properly allocate the purchases of paint to small business on both an advertised and negotiated basis.

Water distillation units, investigation of the Navy's purchase of

The subcommittee investigated the practice of the Department of the Navy of buying water distillation units. It was alleged that the Cleaver-Brooks Manufacturing Co. of Milwaukee, Wis., was the only manufacturer which could furnish the Navy the distillation units in time to meet the delivery schedules called for by that Department. Other manufacturers in this field include the Refinite Manufacturing Co. of Omaha, Nebr., and the Mechanical Equipment Co. of New Orleans, La. It was alleged that because the Cleaver-Brooks Co. enjoyed the enviable position of being the only manufacturer which could produce the items within the delivery schedules, Cleaver-Brooks had the opportunity of setting a price higher than that which would prevail under normal competitive conditions.

The Procurement Subcommittee's prompt intervention and demand for new competitive bidding resulted in a reduction in the bid of the Cleaver-Brooks Co. of approximately \$462,000 on a proposed purchase of 288 units. Furthermore, the Navy Department, in a sincere effort to broaden the base and to encourage competition, awarded each of the other two companies in the field a contract to manufacture one distillation unit. The result of this will be to give two additional manufacturers an opportunity of performing in accordance with Government specifications and of having a pilot model tested by the Navy so that it will no longer have only one qualified manufacturer in this field.

Canvas hospital slippers, investigation of contracts awarded by the Quartermaster General for the manufacture of

The attention of the Procurement Subcommittee was called to a report concerning the purchasing of canvas hospital slippers by the New York Quartermaster Procurement Agency. The report stated in part:

In recent months we have found that a number of manufacturers have been awarded contracts on low bids only to find that they, in most cases, had bid too low. In most instances this has been due to the fact that they were so intent on receiving a Government contract that they had incorrectly interpreted the required specifications. Because of this, we believe a number of times the Government has been receiving manufactured articles that are far below the standards set forth by the specifications. * * *

It was further alleged that one manufacturer had for all practical purposes eliminated competition in the slipper market by quoting to the Government extremely low prices; that this firm could quote lower prices because it knew (or felt assured) that deviations from the specifications would be readily permitted after the contracts were awarded; and that samples of the hospital slippers had been submitted to commercial testing laboratories where it was determined that the slippers were deficient in 10 different places.

The evidence developed by the subcommittee and by the staff of the Quartermaster General showed conclusively that the work being done on Government contracts for approximately 390,000 pairs of slippers did not meet Government specifications. It was determined that because of a laxity in the procedures being followed by the Inspection Office of the Quartermaster, the manufacturer of the slippers was being permitted to manufacture the item without requiring that it pass Government inspection. The contractor was "on his own." As a result, evidence shows that the contractor deliberately and with the design to profit, substituted cheap materials in the manufacture of the slippers without being detected. It was estimated that approximately 300,000 pairs of defective slippers were accepted by the Government and that contracts for an additional 400,000 pairs had been awarded to this contractor.

The contracts were canceled and awards were made to reputable concerns for the manufacture of these slippers. The New York Quartermaster Procurement Agency changed its form of inspection and assigned full-time inspectors instead of permitting this type contractor to be "on his own."

Waiving bid bond requirements

The committee made a study of the procurement regulations and the statutes involved relating to the practice of waiving bid bonds

when required. The committee published a report which pointed up defects in the system and the result has been a stiffening of the procurement regulations which do not now permit contractors to flaunt the provisions of regulations which require bid bonds.

As a result of these studies, the recommendations made and the attention given to this subject, the Comptroller General, in a matter referred to him at the suggestion of the subcommittee issued a new ruling which considerably strengthens and improves his interpretation of the law and regulations on the subject of bid bonds.

Investigation of contract administration

The subcommittee made a specific number of "spot checks" in various procurement districts on delinquent contractors. It made two specific recommendations, both requiring affirmative action on the part of the administering officer:

- (1) A reexamination of the scheduling in contracts negotiated outside of the district, which a district officer was called upon to administer; and
- (2) Reexamination of the contracts with respect to the qualifications of the contractor selected or chosen on bid to do the work called upon.

The committee suggested an affirmative approach in the administration of the contracts, in order to obtain prompt and efficient delivery of the material contracted for.

Restrictive bidding

The subcommittee held hearings relating to the subject of restrictive bidding. Complaints had been received that many of the Department of Defense specifications were developed around an item which was manufactured by only one concern and they had incorporated in them certain unique features which could not be copied by competitors. Thus, when the Department of Defense went into the market to procure the item, competition was locked out.

In many instances the committee was advised it was very difficult for the Department to draw a specification which would establish minimum standards and at the same time permit the established manufacturers in the field to participate. However, in an effort to procure an item which will not only meet military needs but which will offer an opportunity for all firms to participate in, the Department has been rewriting many of its specifications, eliminating the restrictive features formerly contained therein.

The committee recommended greater emphasis upon the rewriting of these specifications not only to eliminate the restrictive features that may be contained in them but also to modify them wherever possible by authorizing alternate materials to be substituted where the substitution will not affect the serviceability of the item being manufactured. Many millions of dollars can be saved by a review of all of our specifications. The committee is aware of instances where even in the packaging of the item the specifications have been extremely strict and consequently expensive.

Investigation of cataloging and standardization (Public Law 436)

In September of 1951 the staff commenced an intensive study of the cataloging and standardization programs in the services. Over 100 days were spent in the examination of data and material and the

assembly of information for the use and consideration of the subcommittee. On February 11, 1951, hearings were commenced and continued until March 12. The hearings were largely attended and were publicized extensively throughout the country. For the first time, this subject, which theretofore had always been talked of in technical terms, was reduced to understandable language and practices. Examples of overlapping and duplication in the existing systems were displayed.

The Defense Department took an active interest in the whole subject matter of cataloging and its counterpart, standardization. On the afternoon following the testimony of the Deputy Secretary of Defense, for the first time in 5 years, a directive was issued which conferred the administrative powers required to accomplish an objective which all agreed was essential to the orderly and efficient management of the supply systems.

At the conclusion of the hearings, the subcommittee sat down and wrote a bill, H. R. 7405, which was written line for line by the membership on the basis of the studies which were presented for its consideration and the testimony had. This bill was in lieu of H. R. 1033, which had for its purpose the same ultimate objective. The bill was overwhelmingly passed by the membership in the House, was promptly passed with helpful amendments in the Senate, and is now Public Law 436.

As a byproduct of this hearing, the exposure of the Pentagon publicity staffs and practices and their expenses resulted in reducing the number of personnel engaged in work of this character and in the reduction of appropriations for the forthcoming fiscal year because of the information developed in these hearings.

The hearings also resulted in the establishment of a single procurement assignment in the textile field. This subject was thoroughly explored and exposed in the course of the hearings and developed the need for single procurement in this field, among others. It also developed the fact that proposals having to do with this desirable consolidation of functions had been languishing for years on the desks of administrative officials. It is now a directive and established practice.

The work in this field will not end with the enactment of Public 436 because the other issues concerning single service procurement, single procurement assignments, orderly purchasing, and matters of that character are still under study and the subcommittee will ultimately make recommendations in this field.

Armed Services Textile and Apparel Procurement Agency

During the course of the hearings relating to H. R. 7405 the subcommittee was amazed to learn of the lack of standardization among the three services in the textile, footwear, and clothing field. Exhibits prepared for the subcommittee showed that the Army bought shoes under one specification, paying one price, the Navy bought similar shoes under a different specification and paid a different price, and that the Air Force bought shoes under a third type of specification, paying a price different from the other two. The absence of coordinated buying resulted in the three services being in the same market for the same item at the same time. They actually were bidding against each other, which caused a waste of large sums of money.

Because of the obvious deficiencies in the procedures being followed by the military services in this field the subcommittee strongly recommended that a single agency be established which would have authority and responsibility to buy all of the clothing, footwear, and textiles required by the Army, Navy, and Air Force. The benefits of such an agency are quite apparent. The great emphasis placed upon the urgent and immediate need for the establishment of a central buying agency for these items resulted in the Department of Defense accelerating the establishment of the Armed Services Textile and Apparel Procurement Agency. The purpose of the agency is to achieve the optimum effectiveness and economy in all aspects of the procurement of clothing, textiles, and footwear for the armed services. It is understood that the agency will be actively purchasing by October 1, 1952.

The functions of the agency will include the responsibility for consolidating the requirements of all of the services, analyzing the market to determine the best pattern for the phased placement of orders in such a manner as to assure the services that industry will meet the needs at the lowest possible price to the Government. This will eliminate the peaks and valleys of production which were so prevalent in the past practices of the Department in this field. Furthermore, standardization of items will result from the development of joint military and Federal specifications.

The subcommittee hails this as an outstanding example of the progress that the services are making in coordinating defense buying. It is also a tribute to the vigilance and energies expended by the subcommittee in the field of defense spending.

Turret lathes

In February 1952 Hon. John J. Dempsey, of New Mexico, referred to the subcommittee a memorandum dealing with the subject of turret lathes which were being purchased to meet the needs of the Army, Navy, and Air Force. It was reported that in August 1951 the three services had determined that there was an urgent and immediate need for the manufacture of at least 1,500 of these multipurpose tools. The Air Force was reported as needing 900, the Navy 200, and the Army 400. To satisfy these needs, the Department of Defense arranged to have the Fisher Body Co. of General Motors tool up to turn out 557 of the machine tools. Fisher Body, not having the plant facilities or the tools, started work as a subcontractor to the Bullard Manufacturing Co., of Bridgeport, Conn., who had the drawings and the know-how for the manufacture of this item. The Bullard Co. was manufacturing the turret lathe at a cost of \$38,000 to the Government. The Fisher Body Co. contract provided for payment of \$90,600 for each of the 557 it had contracted to make.

The subcommittee learned that in January the Air Force, the Navy, and the Army had reappraised their machine-tool needs and had determined that there was no need for continuing the \$69,000,000 Government contract with Fisher Body Co. The alleged waste of critical tools, in addition to the millions of dollars which would be involved in cancellation costs, received considerable publicity.

The subcommittee heard testimony from the Assistant Secretary of the Air Force. He explained that a series of events had transpired which could not have been foreseen at the time the contract was placed in August of 1951, which resulted in the Air Force modifying

greatly its estimate of the number of lathes required for aircraft production. The Air Force found that many of the prime contractors to whom these tools were to have been allocated changed their estimates of requirements and as a result Air Force needs were being met from the production of existing manufacturers of this tool, making it unnecessary to bring in a new, high-cost producer.

Similarly the Navy and the Army found that their needs had been reduced greatly and that the large number of turret lathes which was originally thought to be necessary would not now be required.

At the conclusion of the hearings, the \$69,000,000 Government contract with the Fisher Body Co. was canceled. It is estimated that approximately \$10,000,000 had been spent by the contractor in tooling up and in buying materials which were to be used in the manufacture of the turret lathes. The committee was advised that a large part of this material could probably be resold and the tools redistributed. However, there is no doubt but what the Government will incur a substantial loss as a result of canceling this contract.

With respect to the apparent high price of \$90,600 which the Government proposed to pay the Fisher Body Co. for the same lathe which was being produced for \$38,000 by the Bullard Manufacturing Co., of Bridgeport, the subcommittee was advised that the contract was subject to renegotiation, which insured protection to the Government. Furthermore, that price included many preproduction expenses, such as tooling and processing costs, which would only be found in manufacturing the initial quantity of these machines. The Fisher Body Co. advised that another factor which caused the price to be high was that in order to expedite production and delivery of these items, Fisher undertook to subcontract as many as possible of the important components. Furthermore, the prime contractor, the Bullard Manufacturing Co., had added \$15,000 to the Fisher price for these lathes to cover "selling expense and know-how." The Fisher Body Co. advised that the action of the Government in canceling the contract was entirely satisfactory.

LEASING OF GOVERNMENT FACILITIES

Under the authority of this resolution, two proposed leases of public property which had become controversial subjects were fully examined, and sworn testimony taken to resolve all questions of alleged discrimination, bias, and other irregularities.

Lease of Alameda (Calif.) Naval Shipyard

The proposed lease at the Alameda Shipyard was thoroughly explored and the subcommittee made findings which were approved by the full committee on December 21.

This was a lease of an important and valuable facility; and the ability to use the subpoena powers conferred in the resolution was a significant help in arriving at the truth involved in the determination which had to be made.

Morgantown (W. Va.) Ordnance Works lease

Shortly after the passage of Public 155 (which extended the same provisions of existing law governing real-estate transactions of the Navy Department to the Army and Air Force) the committee was presented with a proposed lease of the Morgantown Ordnance Works,

a multi-million-dollar, wholly Government-owned facility at Morgantown, W. Va., which was designed for the production of nitrogen products.

One of the prospective lessors hurled a number of charges of discrimination and irregularities in the negotiations; and another hotly contested the decision of the Secretary of the Army. This matter was referred to a subcommittee under authority of the resolution, again with the use of the subpoena powers.

A full open hearing on the subject was had and the conclusions of the committee resulted in confirming a lease with the Mathieson Chemical Co. which now appears to have been a significant contribution to the public good. As a result of the conclusions reached, this facility was placed in active operation. It has yielded in nitrogen products over 130,000 tons 4 months in advance of the earliest predictions or promises of any prospective lessor.

But a most important result was that nitrogen was produced ahead of schedule, to meet the very considerable shortage in the national supply which the Department of Agriculture estimated at 500,000 tons annually. The additional contribution of this activated plant toward the relief of this shortage will be 180,000 tons annually.

The other charges of irregularities and discrimination were put at an end in a public hearing.

INVESTIGATION INTO THE DEATH OF MAJOR HOLLAHAN

A special subcommittee under the authority of this resolution was appointed to make a study of the facts and the law relating to the death of Major Hollahan, an OSS officer who was killed in Italy under strange circumstances. Extensive hearings were held by this special committee, consisting of Messrs. Kilday and Cole, and a thorough résumé of the law has been completed.

A report is ready for issuance but was not published for the reason that about the time of the conclusion of the hearings the Italian Government requested the extradition of the two persons alleged to have murdered the major. Those extradition requests were honored by the State Department. Warrants were issued in two United States district courts. The legal right to apprehend the persons charged, who were citizens of the United States and had been discharged from the military service, will not be determined in the United States district courts.

In view of these circumstances, this committee withheld the publication of its report and its legal conclusions.

THE WEST POINT ALUMNI FOUNDATION, INC.

The committee investigated charges presented to it by contractors who were being solicited by meddlesome and officious graduates of the Service Academy at West Point, operating under the name of West Point Alumni Foundation, Inc. Its report and its recommendations did much to relieve the Academy and its graduates of the embarrassment by the willful confusion of the public which this organization carried on by the use of the name of the Academy and its insignia in association with its work.

Meanwhile, the conduct of this organization is receiving the attention of the Federal Trade Commission.

CLINTON COUNTY (OHIO) AIR FORCE BASE

The Special Procurement Subcommittee was referred to a proposal of the Air Force to expend \$2,000,000 building facilities for an air reserve training center at the Greater Cincinnati Airport in Boone County, Ky. Subcommittee members visited the site and also visited the Clinton County (Ohio) Airport, which is a wholly Government-owned facility where the Air Force reserve training program is now being carried on. The subcommittee found that the investment at Clinton County exceeded \$6,000,000, that the facility was unused in large measure, and that there was in being there every requirement for an Air Force reserve training center. The subcommittee recommended that the \$2,000,000 item for building facilities from the ground up at the Greater Cincinnati Airport be deleted from the authorization bill. The subcommittee found that there was no merit to the contention of the Air Force investigators that a recruitment program could not be carried on at the present location.

The full committee fully approved of the findings of the subcommittee and recommended that the transfer to Greater Cincinnati Airport be stopped. The Air Force agreed not to undertake the transfer or the expenditure of any funds at Greater Cincinnati Airport.

CURRENT STUDIES OF GOVERNMENT INSPECTION

Parallel with its studies of Government contracts, the subcommittee initiated a questionnaire to all Government inspectors. The purpose of the questionnaire was to elicit information concerning their experiences and to caution them as to their responsibility.

Beyond emphasizing the responsibility of inspectors, the study has two additional purposes: (1) To determine the best method of accomplishing Government inspection in plants scattered widely throughout the United States; and (2) to consider the civil-service ratings of Government inspectors doing like work and employed by the three services. This latter study preliminarily has developed some glaring inequalities. The complete study will result in a report and recommendations for greater uniformity in pay, stiffening of duties and responsibilities, coordination of efforts, and, ultimately, the establishment of regulations, policies, and procedures governing acceptance of materials and products.

The importance of this work can be more fully appreciated when viewed in the light of the multi-billion-dollar spending program of the Government, which depends in large measure for the quality of the products purchased upon the ability, the integrity, and the capacity of the Government inspectors.

ORDNANCE PROCUREMENT

The subcommittee is now engaged in a study by actual inspection in the field of ordnance procurement, particularly ammunition.

An executive hearing was held on the status of the production of 155-millimeter shells at Rockford, Ill., by the F. W. & John Barnes Co. in a wholly Government-owned facility known as the Rockford Ordnance Plant.

The information developed in this investigation and the other studies being made in other parts of the country will ultimately result in a report and conclusions of the subcommittee in the very near future.

KAISER-FRAZER MANUFACTURE OF C-119 "FLYING BOXCAR" FOR USAF

On March 20, 1952, Congressman Ayres, Republican of Ohio, referred to the subcommittee information concerning an allegation that it was costing the United States Government \$100,000 per plane more to have Kaiser-Frazer manufacture the C-119 than it was costing to have the same aircraft built by the Fairchild Engine & Aircraft Corp.

It was alleged that the Kaiser-Frazer Corp. was merely assembling the C-119 from parts that were being made by the Fairchild Engine & Aircraft Corp., of Hagerstown, Md. The plane parts were reportedly shipped to the Kaiser-Frazer Willow Run plant near Detroit, Mich., for final assembly.

The subcommittee conducted a hearing in executive session and heard representatives of both Fairchild Aircraft and Kaiser-Frazer Corp. Because of the fact that the contract was in the initial stages of work and additional information was required, the hearings were adjourned to be resumed when more factual information is available, based on actual production.

MISCELLANEOUS STUDIES

In addition to the reports published, the staff has rendered numerous legal opinions on specific questions, has investigated many individual complaints where the public interest would not be served by publishing reports thereon, and has maintained a continuing examination of all Government contracts.

PROCEDURE

For the greater part, the hearings of the subcommittee have been conducted in executive session. By established policy, the committee has not lent itself as a forum for the circulation of wild and unfounded charges. It has permitted no disclosures nor discussions until its conclusions were finalized and published. Only in matters where no personalities were involved or where the studies were wholly objective in nature, as, for example, in the investigation of cataloging and standardization, or where the bidding was public, as in the case of the Morgantown Ordnance Works, did the committee waive its ban on open sessions.

The existence of the authority conferred in House Resolution 38 and the continuance "in being" of the subcommittee and staff, maintaining a constant vigilance over its assigned duties, has had a salutary effect and has been a wholesome influence in avoiding irregularities, excesses, nonfeasances, and malfeasances in public spending in defense matters.

CONCLUSIONS

The foregoing report covers a period of a little over 1 year and 4 months, from the time the resolution was passed and the appropriations were made available.

The staff has at no time exceeded four experts and for the greater part consisted of special counsel and an assistant. The total expenditures made to June 30, 1952, which includes within it all salaries paid, all travel, stationery expenses, transcripts of records, printing costs, and every item of expenditure for the purpose of carrying on this work, amounted to \$57,979.95.

Respectfully submitted.

CARL VINSON, *Chairman.*

JULY 4, 1952.

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